United Nations A/59/524

General Assembly

Distr.: General
22 October 2004

Original: English

Fifty-ninth session
Agenda item 110
Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/58/531/Add.1). It also provides a review of the Organization's financial situation as at 15 October 2004 and revised projections to 31 December 2004.

The report considers three main financial indicators: assessments and payments; cash on hand; and the Organization's outstanding debt to Member States. By 15 October 2004, assessments for the regular budget, peacekeeping operations and the International Tribunals were all higher than for 2003. Unpaid assessments were also higher for the regular budget and peacekeeping, although there are some indications that outstanding regular budget assessments will be somewhat lower at the end of 2004 than they were at the end of 2003.

Projections for cash balances at the end of 2004 are higher for the regular budget and peacekeeping than at the end of 2003. For the International Tribunals, the forecast is for a continuing but reduced cash deficit compared with the amount borrowed at the end of 2003.

Amounts owed to troop and equipment providers are expected to increase somewhat more than expected in May due to the launching of new missions in Burundi, Côte d'Ivoire and Haiti and to the faster than expected deployment of troops in the United Nations Mission in Liberia (UNMIL). At the same time, the collection of contributions, which was faster than usual, has permitted a higher than expected reimbursement of troop costs. This has contained the increase in the forecast level of debt to Member States.

Although there have been some improvements in the financial situation of the United Nations, serious problems remain, especially for the International Tribunals. Although the projected cash deficit is lower than reported in May, it is still unsustainable since the cash available for cross-borrowing in the accounts of closed peacekeeping operations is limited and may be reduced further depending on action pending in the General Assembly.

04-56768 (E) 261004

I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/58/531 and Add.1). It also provides a review of the Organization's financial situation at 15 October 2004 and revised projections to 31 December 2004.

2. If the United Nations is to tackle the ever more numerous and challenging tasks with which Member States have entrusted it, it is essential that the Organization work from a strong and dependable financial base. While some progress has been made in that direction, serious problems remain.

3. The financial strength of the United Nations has traditionally been measured by three main indicators: assessments and payments; cash on hand; and the Organization's outstanding debt to Member States.

II. Review of the financial situation as at 15 October 2004

4. The review of the financial situation shows an increase in comparison with 31 December 2003. A major factor in these changes is the increase in the level of activities and assessments approved by the General Assembly. Assessments were higher than in 2003 for: the regular budget (1,483 million United States dollars in 2004 and $1,409 million in 2003); the International Tribunals ($273 million in 2004 and $217 million in 2003); and peacekeeping ($4,147 million in 2004 and $2,260 million in 2003). As at 15 October 2004, unpaid assessments for the regular budget and peacekeeping were also higher than at the end of 2003. Unpaid assessments for the Tribunals were slightly lower, but still at an unacceptably high level.

5. The Secretary-General would like to pay a special tribute to the 18 Member States that have paid in full all assessed contributions due and payable at 15 October 2004 for the regular budget, peacekeeping operations, the International Tribunals and the capital master plan: Azerbaijan, Canada, Croatia, the Czech Republic, Denmark, Estonia, Finland, Hungary, Ireland, New Zealand, Norway, the Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, the United Kingdom of Great Britain and Northern Ireland and Zimbabwe. In addition, Azerbaijan, Canada, New Zealand and Singapore have also paid the assessments issued on 30 September 2004, which are not yet due and payable. In addition, Australia, the Netherlands, Sweden and the United Republic of Tanzania have paid their due and payable assessments in full since 15 October 2004. Other Member States are urged to follow the example of these countries.

A. International Tribunals

6. In his last report, the Secretary-General drew attention to the dangerously precarious position of the International Tribunals for Rwanda and the former Yugoslavia. While there is some improvement, the situation remains very critical.

7. Unpaid assessments for the two Tribunals doubled between 2002 and 2003, to almost $88 million. By 15 October 2004, this amount was only slightly lower at $80 million. While some significant payments are expected by 31 December, the

shortfall is still expected to remain at an unacceptably high level of $21 million. Of the $80 million outstanding as at 15 October, the United States of America accounted for $31 million, Japan for $19 million, Brazil for $10 million, Argentina for $5 million and Mexico for $3 million. The balance of $12 million was owed by 108 Member States.

8. Reflecting the disturbing failure of Member States to honour their commitments to the Tribunals, as at 15 October 2004 no fewer than 113 States still had assessed contributions outstanding for one or both of the Tribunals. Thirteen Member States have made no payments of assessed contributions to the Tribunals since their inception.

9. The Secretary-General wishes to express his appreciation to the 78 Member States that have paid their assessed contributions in full by 15 October and urges other Member States to follow their example.

B. Regular budget

10. By 15 October 2004, assessed contributions for the regular budget totalling over $725 million were still outstanding. This exceeds the amount outstanding at the same time last year by over $35 million. The major contributor is expected to make a payment of $300 million shortly, which would break this negative trend. Notwithstanding this improvement, the continuing high level of outstanding assessed contributions for the regular budget still has clear and negative implications for the core activities of the United Nations.

11. Of the total amount outstanding of $725 million, $530 million is accounted for by the United States of America, $75 million by Brazil and $29 million by Argentina. By 15 October 2004, 111 Member States had paid their assessments to the regular budget in full, 52 Member States had made partial payments and 28 had made no contributions in 2004. This number is lower than the corresponding figure of 118 Member States that had paid in full by 15 October 2003. The Secretary-General wishes to thank the 111 Member States that have honoured their obligations for the regular budget in full at 15 October 2004 and urges other Member States to pay their assessed contributions for the regular budget in full.

12. At the beginning of 2004, $23 million of cash was available for the regular budget and in related reserve accounts. So far, cross-borrowing for the regular budget was only necessary for two weeks in September. Based on the information provided by the major contributor, a positive cash balance of $96 million is now projected for the end of 2004. As indicated, this figure includes all the reserves available to fund regular budget activities.

C. Peacekeeping operations

13. As a result of new operations in Burundi, Côte d'Ivoire and Haiti, total assessments issued for peacekeeping operations in 2004 increased to over $4 billion by 15 October. Depending on action to be taken by the General Assembly and the Security Council, this amount may increase further.

14. Peacekeeping assessments are issued throughout the year, as budgets are approved by the General Assembly and the mandates of each operation are extended

by the Security Council. While the size of the outstanding amount is naturally a cause for concern, it should be seen in the light of the volume of assessments issued during 2004 and the fact that significant amounts were assessed in July, August and September. It should also be noted that assessments of over $800 million, which were issued on 30 September 2004, were still within the 30-day due period.

15. At 15 October 2004, $2.5 billion was outstanding, including $881 million from the United States of America, $567 million from Japan, $153 million from Ukraine and $107 million from Italy. Since then, a further $357 million was received for peacekeeping, including $328 million from the United States of America and payments from Cuba, the Czech Republic, Hungary, Malaysia, Malta, the Netherlands, the Russian Federation, the Syrian Arab Republic and Sweden.

16. At 15 October 2004, 18 Member States (Azerbaijan, Canada, Croatia, Czech Republic, Denmark, Estonia, Finland, Hungary, Ireland, New Zealand, Norway, the Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, the United Kingdom of Great Britain and Northern Ireland and Zimbabwe) had paid all peacekeeping assessments that were due and payable. In addition, Azerbaijan, Canada, New Zealand and Singapore had also paid in full the assessment issued on 30 September 2004 that is still within the 30 day due period. Full payment was received subsequently from Australia, the Netherlands, Sweden and the United Republic of Tanzania for all peacekeeping assessments that are due and payable. All other Member States are urged to follow this example.

17. As regards cash flow forecasts for peacekeeping accounts through the end of 2004, based on current projections for assessments, payments and outgoings, cash available in peacekeeping accounts is expected to be $1.419 billion at the end of the year. Of this amount, $1.002 billion is expected to be in the accounts of active missions, $152 million in the Peacekeeping Reserve Fund and $265 million in the accounts of closed peacekeeping operations. The relatively large amount of cash forecast for the accounts of active operations reflects some slowness in reimbursements owing to delays in deployment and the signature of memoranda of understanding for new operations.

18. Of the $265 million in the accounts of closed operations, however, $144 million will be payable to Member States and others or is held in accounts that have negative net cash balances. Of the remaining balance of $121 million available, a decision is pending on the return of $94 million to Member States. Therefore, the balance available for cross-borrowing could potentially be as little as $27 million.

19. To put this in context, at the beginning of 2004, the International Tribunals owed the closed peacekeeping operations $73 million and only gradually repaid this amount during the first quarter of the year. In addition, several ongoing peacekeeping operations borrowed from the accounts of closed operations eight times during 2004 and the regular budget had to borrow from the accounts once. During the year, borrowing from the accounts of closed peacekeeping operations regularly exceeded the $27 million level. This underlines the potential problem if these cash shortfalls that have been experienced by the Tribunals, the regular budget and ongoing peacekeeping operations continue.

III. Debt to Member States

20. The forecast in May 2004 was that the Organization would owe Member States a total of $574 million for troop and equipment costs at the end of the year against a total of $439 million at the end of 2003. The revised forecast now is $605 million as at 31 December 2004. The increase in the total debt is primarily due to the deployment of troops and contingent-owned equipment to the three new missions in Haiti, Burundi and Côte d'Ivoire.

21. The higher level of obligations is also due to the faster than expected deployment of troops in UNMIL and the higher number of memoranda of understanding signed for contingent-owned equipment for all of the recent missions. Reimbursements for troop costs were higher than expected, as contributions were received for the active missions more promptly than in recent years. It is anticipated that the Organization will be able to pay for troop costs through October 2004 for most missions, rather than through September as projected. An exception to this is the United Nations Interim Administration Mission in Kosovo (UNMIK), where there has been some progress with reimbursements and liabilities for personnel, including a portion of the amounts owed for contingent-owned equipment, have been paid up to December 2003.

22. The Secretary-General remains fully committed to reducing the level of this debt to Member States to the maximum extent possible, given the operational requirements of each mission. As usual, the extent to which he can do this will depend on the degree to which all Member States meet their financial obligations to the Organization.

IV. Conclusions

23. **Although the financial situation has shown some improvement, serious problems remain, in particular for the International Tribunals. In addition, there are serious potential problems ahead unless Member States pay their assessed contributions in a more timely fashion, as the resources available for cross-borrowing are limited and may be reduced further, depending on decisions pending with the General Assembly. In this connection, the importance of Member States paying their assessed contributions in full and on time cannot be overemphasized.**